

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2019-031-00027R

Parcel No. 1404480003

Michael Vorwald,

Appellants,

vs.

Dubuque County Board of Review,

Appellee.

Introduction

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on November 20, 2019. Michael Vorwald was self-represented. Chief Deputy Assessor Lori Roling represented the Dubuque County Board of Review.

Michael and Stacey Vorwald own a residential property located at 1134 Lone Drive, Peosta, Iowa. The subject property's 2019 assessment of was \$389,870, allocated as \$73,790 in land value and \$316,080 in dwelling value. (Ex. A).

Vorwald petitioned the Board of Review claiming the assessment was not equitable and the property was assessed for more than the value authorized by law under Iowa Code § 441.37(1)(a)(1 & 2) (2019). The Board of Review denied the petition.

Vorwald then appealed to PAAB reasserting his claim that the property is assessed for more than the value authorized by law. § 441.37(1)(a)(2).

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act

apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); see also *Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005).

Findings of Fact

The subject property is a two-story home built in 2017. It has 2289 square feet of gross living area, a walk-out basement, an open porch, an enclosed porch, and a three-car attached garage. The improvements are listed in normal condition with a 3+10 Grade (good quality). The site is 0.462 acres. (Ex. A).

Vorwald testified that his construction cost, including the lot, was around \$370,000 to \$375,000.

Vorwald submitted a refinance appraisal completed by J.A. Knopf of J.A. Knopf and Company, Dubuque, Iowa. (Ex. 1). Knopf developed the sales comparison and cost approaches to value and concluded a final opinion of value for the property of \$370,000 as of May 2019.

Knopf noted the Assessor's records were inaccurate regarding the subject's actual living area. (Ex. 1, p. 15). He measured the subject property and calculated a gross living area of 2342 square feet. (Ex. 1, p. 2). This is a minor discrepancy from the gross living area reported by the Assessor's Office. Knopf also reported the subject's basement has been "substantially finished." (Ex. 1, p. 15). He reported 433 square feet of finished basement area that is not included on the property record card. (Ex. 1, p. 2).

Knopf relied on four sales in his sales comparison analysis, which are summarized in the following table.

Comparable	Gross Living Area (SF)	Basement Finish (SF)	Sale Date	Sale Price	Adjusted Sale Price (Rounded)
Subject	2289	433 w/o			
1 - 17129 Meadowlark Dr	2190	1100	May-18	\$375,000	\$371,900
2 - 2208 Palmer Dr	2143	100 w/o	Apr-19	\$372,500	\$367,100
3 - 6036 Forest Hills Dr	2754	1919 w/o	Feb-19	\$450,000	\$427,700
4 - 10837 Golden Oaks	2870	1238 w/o	Sep-17	\$400,000	\$373,400

Knopf noted several times in his report that there are a limited number of recent sales in close proximity to the subject property, resulting in the need to rely on older sales. (Ex. 1, p. 3, & 15-16). All of Knopf's comparable properties are located within roughly 2.5 miles of the subject property. The Board of Review acknowledged Knopf's comparable properties were "overall good comps" but it disagreed with some of Knopf's adjustments and conclusions. (Ex. D).

All of the sales are two-story homes between 10- and 19-years old compared to the subject property, which is 2-years old. The Board of Review was critical that Knopf did not make any age adjustments to his comparable properties noting that if adjustments had been made the value conclusions would be "considerably higher." (Ex. D). Knopf reported that "updating of some comps as well as the subject lessens the need for age adjustments. Eco (sic) life would be similar." (Ex. 1, p. 15). In the Board of Review's opinion, "houses between 16 and 19 years old are to the point where the owners are going to start putting money into them, especially for short life items." (Ex. D). The Board of Review did not submit any evidence of what it believes would be correct age adjustments.

Roling testified Sale 1 re-sold in October 2019 for \$399,900. There is no other information known about this property or its sale, such as whether any updates occurred between the 2018 and 2019 transaction. If the same adjustments were made to the 2019 sales price, the adjusted sale price would be \$391,664.

Sales 1, 3, and 4 have between two-and-a-half to over four times the amount of basement finish as the subject property. Sale 2 is reported as having 100 square feet of basement finish. (Ex. 1, pp, 3 & 6). Despite these wide variations, Knopf made an across the board downward \$5,775 adjustment for basement finish. There is no explanation of this adjustment.

Knopf gave least weight to Sale 3, which sets the upper end of the adjusted and un-adjusted range of value, noting it was a “broker owner and sold in a short time” and that it also had an in-ground pool. (Ex. 1, p. 15). We note that Knopf’s fireplace and pool adjustment to Sale 3 is in the wrong direction, which would result in nearly a \$10,000 swing in the adjusted value to approximately \$417,000 if corrected.

Knopf also developed the cost approach, which indicated a rounded value of \$371,900. (Ex. 1, p. 4). Knopf reported the subject site sold in June 2017 for \$60,000 (Ex. 1, p. 3). Despite this, Knopf concluded a site value of \$48,000, with \$5400 in “as is” site improvements for a total site value of \$53,400 in his cost approach. (Ex. 1, p. 4). Knopf did not reconcile his opinion of site value with the recent purchase price of the subject property.

The Board of Review noted the 2017 purchase price of the subject lot is consistent with the price per square foot of other sales of unimproved lots in the subject’s subdivision. (Ex. D). The Board of Review also noted that it believes costs to improve a lot are about 20-25%, which would indicate a lot value for the subject property of \$72,000 to \$75,000.

Vorwald testified his landscaping is incomplete and questioned the value of a site with and without utilities (improved). The Department of Revenue’s REAL PROPERTY APPRAISAL MANUAL (MANUAL) explains that:

Land, in a general sense, can be unimproved (raw) or improved (ready for development). Land that is undeveloped, or in agricultural use, is considered unimproved. Land that has been developed to the extent that it is ready to be built upon is considered a site. (Manual 2-2)

Vorwald testified his lot has a ditch that is eroding. He asserted that while his lot has over 20,000 square feet, in his opinion, its useable size is closer to 14,000 square feet like neighboring Lot 16 that sold for \$47,000 or \$3.27 per square foot. (Ex. D). Vorwald believes the Board of Review’s analysis of a price per square foot for similar lots is skewed because his lot’s sale price is based on the actual price per square foot, rather than its useable area. Despite analyzing the sales of similar sites on a per square foot basis, the subject site was assessed using an effective front foot value. (Ex. A, p. 1). Roling explained that Vorwald’s site has a 10% functional obsolescence adjustment applied for the reasons he noted. (Ex. A, p. 1).

The Board of Review submitted five one-story homes that sold in the subject's development between 2017 and 2019. (Ex. D). It did not adjust the sales for differences between them and the subject property to arrive at a January 1, 2019, conclusion of value. The sale prices per square foot of these properties ranged from \$199 to \$228. (Ex. D). In comparison, the Board of Review notes the subject's assessed value is \$170 per square foot. All of the comparable properties are a different style than the subject and they are all more than roughly 500 square feet smaller than the subject property.

Analysis & Conclusions of Law

Vorwald contends the subject property is over assessed as provided under Iowa Code section 441.37(1)(a)(2).

There is no presumption the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted). When the taxpayer "offers competent evidence that the market value of the property is different than the market value determined by the assessor, the burden of proof thereafter shall be upon the officials or persons seeking to uphold such valuation." Iowa Code § 441.21(3). To be competent evidence, it must "comply with the statutory scheme for property valuation for tax assessment purposes." *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 782 (Iowa 2009) (citations omitted).

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). Sale prices of property or comparable properties in normal transactions are to be considered in arriving at market value. § 441.21(1)(b). Sale prices of property in abnormal transactions not reflecting market value shall not be taken into account or shall be adjusted to account for market distortion.

Vorwald submitted the Knopf appraisal of the subject property to establish its market value. Knopf relied on the sales comparison approach to value, which is the

preferred method for valuing property under Iowa law. *Compiano*, 771 N.W.2d at 398; *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 779 (Iowa 2009); *Heritage Cablevision v. Bd. of Review of Mason City*, 457 N.W. 2d 594, 597 (Iowa 1990).

Knopf concluded an opinion of value of \$370,000 as of May 2019. The Board of Review asserts Knopf did not make adjustments for significant differences in year built between the comparable properties and the subject. Yet, the Board of Review did not provide any evidence of what it believes the correct adjustment should be, or how that may affect Knopf's opinion of value.

The Board of Review was also critical of Knopf's cost approach because his opinion of value for the subject site as improved is less than what Vorwald paid for the unimproved site. We are unconvinced by Vorwald's argument that his site is more comparable to smaller sites in the development. Rather, we are persuaded by sales data showing a consistent lot price per square foot, which suggests that Knopf's opinion of site value is low. Regardless, Knopf gave the sales comparison approach the most consideration, as is preferred by law.

While PAAB finds some flaws with Knopf's appraisal report, overall we find it is competent under the statute, and supports Vorwald's opinion his property is over assessed. Thus, the burden has shifted to the Board of Review to uphold its valuation.

In support of the assessment, the Board of Review offered unadjusted sales of five one-story homes that sold in the subject's development between 2017 and 2019. We do not find the unadjusted sales of these properties are sufficient to uphold the Board of Review's burden. *Compiano*, 771 N.W.2d at 397 (if the grounds of protest have been established, the property's correct value must be determined based on all the evidence) (citations omitted).

Viewing the record as a whole, we find Vorwald has demonstrated his property is over assessed and the correct value as of January 1, 2019 is \$370,000.

Order

PAAB HEREBY MODIFIES the Dubuque County Board of Review's action.

Based on the foregoing, we order the property's January 1, 2019, assessed value be set at \$370,000, allocated as \$73,790 in land value and \$296,610 in improvement value.

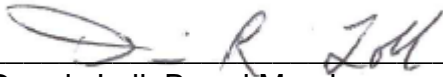
This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A.

Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code sections 441.37B and Chapter 17A.19 (2019).



Karen Oberman, Board Member



Dennis Loll, Board Member



Elizabeth Goodman, Board Member

Copies to:

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Dubuque County Board of Review by eFile

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